

*Township of Mason*  
*Cass County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

---

## CONTENTS

---

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of fiduciary net assets - Agency Fund	9
Notes to financial statements	10 - 16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule:	
General Fund	17 - 18
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of debt retirement and annual interest requirements	19

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Mason, Michigan**

**We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Mason, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.**

**We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mason, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The budgetary comparison information, on pages 17 through 18, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Mason, Michigan has not presented the management's discussion and analysis and the budgetary comparison information for the Public Safety Fund that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.**



1958-2008

Board of Trustees  
Township of Mason, Michigan  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Mason, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

July 8, 2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Mason**  
**STATEMENT OF NET ASSETS**  
March 31, 2008

---

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,002,220
Receivables, net	<u>121,888</u>
Total current assets	<u>1,124,108</u>
Noncurrent assets:	
Receivables, net	739,973
Capital assets not being depreciated	72,571
Capital assets, net of accumulated depreciation	<u>1,606,569</u>
Total noncurrent assets	<u>2,419,113</u>
Total assets	<u>3,543,221</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	40,699
Contract payable	<u>60,522</u>
Total current liabilities	101,221
Noncurrent liabilities - contract payable	<u>1,317,074</u>
Total liabilities	<u>1,418,295</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	301,544
Restricted for debt service	1,338,172
Unrestricted	<u>485,210</u>
Total net assets	<u>\$ 2,124,926</u>

See notes to financial statements

**Township of Mason**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

	<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 6,710	\$ -	\$ -	\$ (6,710)
General government	118,204	26,652	-	(91,552)
Public safety	207,193	28,192	-	(179,001)
Public works	44,096	-	2,097	(41,999)
Community and economic development	18,552	4,234	-	(14,318)
Culture and recreation	1,195	-	-	(1,195)
Debt service - interest	60,675	78,236	-	17,561
Total governmental activities	<u>\$ 456,625</u>	<u>\$ 137,314</u>	<u>\$ 2,097</u>	<u>(317,214)</u>
General revenues:				
Taxes				185,439
State grants				172,683
Franchise fees				5,709
Investment income				13,962
Other				287
Total general revenues				<u>378,080</u>
Change in net assets				60,866
Net assets - beginning				<u>2,064,060</u>
Net assets - ending				<u>\$ 2,124,926</u>

See notes to financial statements

**Township of Mason**  
**BALANCE SHEET - governmental funds**  
March 31, 2008

	<u>General</u>	<u>Public Safety</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 454,198	\$ -	\$ 548,022	\$ 1,002,220
Receivables	<u>34,911</u>	<u>11,657</u>	<u>800,611</u>	<u>847,179</u>
Total assets	<u>\$ 489,109</u>	<u>\$ 11,657</u>	<u>\$ 1,348,633</u>	<u>\$ 1,849,399</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payables	\$ 3,899	\$ 11,657	\$ -	\$ 15,556
Deferred revenue	<u>-</u>	<u>-</u>	<u>789,369</u>	<u>789,369</u>
Total liabilities	<u>3,899</u>	<u>11,657</u>	<u>789,369</u>	<u>804,925</u>
Fund balances:				
Unreserved:				
Designated	230,000	-	-	230,000
Undesignated	<u>255,210</u>	<u>-</u>	<u>559,264</u>	<u>814,474</u>
Total fund balances	<u>485,210</u>	<u>-</u>	<u>559,264</u>	<u>1,044,474</u>
Total liabilities and fund balances	<u>\$ 489,109</u>	<u>\$ 11,657</u>	<u>\$ 1,348,633</u>	<u>\$ 1,849,399</u>
Total fund balances - total governmental funds				\$ 1,044,474
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and are not reported in the funds.				1,679,140
Interest accrued on special assessments is not a current financial resource and is not reported in the funds.				14,682
Long-term liabilities, including contracts payable, are not due and payable in the current period and are not reported in the funds.				(1,377,596)
Special assessments receivable are not available to pay for the current period's expenditures and are deferred in the funds.				789,369
Interest related to long-term liabilities is not due and payable in the current period and is not reported in the funds.				<u>(25,143)</u>
Net assets of <i>governmental activities</i>				<u>\$ 2,124,926</u>

See notes to financial statements



**Township of Mason**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Public Safety</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 75,038	\$ 130,596	\$ -	\$ 205,634
Licenses and permits	38,170	-	-	38,170
State grants	174,780	-	-	174,780
Charges for services	3,922	-	10,942	14,864
Interest and rentals	15,211	-	67,294	82,505
Other	2,787	-	66,661	69,448
	<u>309,908</u>	<u>130,596</u>	<u>144,897</u>	<u>585,401</u>
<b>EXPENDITURES</b>				
Legislative	6,710	-	-	6,710
General government	107,056	-	-	107,056
Public safety	76,597	130,596	-	207,193
Public works	4,318	-	-	4,318
Community and economic development	18,552	-	-	18,552
Capital outlay	290	-	-	290
Debt service:				
Principal	-	-	57,640	57,640
Interest	-	-	61,635	61,635
	<u>213,523</u>	<u>130,596</u>	<u>119,275</u>	<u>463,394</u>
<b>NET CHANGES IN FUND BALANCES</b>	96,385	-	25,622	122,007
<b>FUND BALANCES - BEGINNING</b>	388,825	-	533,642	922,467
<b>FUND BALANCES - ENDING</b>	<u>\$ 485,210</u>	<u>\$ -</u>	<u>\$ 559,264</u>	<u>\$ 1,044,474</u>

Net changes in fund balances - total governmental funds \$ 122,007

Amounts reported for *governmental activities* in the statement of activities  
(page 6) are different because:

Capital assets - provision for depreciation	(51,363)
Special assessments - collections	(67,129)
Long-term debt - retirements	57,640
Other asset/liabilities:	
Net decrease in accrued interest revenue	(1,249)
Net decrease in accrued interest expense	960

Change in net assets of *governmental activities* \$ 60,866

See notes to financial statements

***Township of Mason***

**STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund***

*March 31, 2008*

---

**ASSETS**

Cash	\$ <u>583</u>
------	---------------

**LIABILITIES**

Due to other governmental units	\$ <u>583</u>
---------------------------------	---------------

*See notes to financial statements*

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Mason, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township public safety function. Revenues are primarily derived from property taxes.

The Sewer Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (Continued):**

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

The Township includes shared road and water system improvement costs in the infrastructure assets of its governmental activities. These costs represent the Township's portion of public road improvements for roads that are owned by the Cass County Road Commission and water system improvements that are owned by the Cass County Department of Public Works.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20- 40 years
Equipment	3 - 5 years
Roads	30 years
Sewer lines	40 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*v) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 17,125	\$ 18,552	\$ (1,427)

The Township has not adopted a budget for the Public Safety Fund.

**NOTE 3 - CASH:**

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 1,002,220	\$ 583	\$ 1,002,803

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$1,002,803.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$702,428 of the Township's bank balances of \$1,002,328 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 1,382	\$ 6,518	\$ -	\$ 27,011	\$ 34,911
Public Safety	-	11,657	-	-	11,657
Sewer Debt	5,505	-	795,106	-	800,611
<b>Totals</b>	<b>\$ 6,887</b>	<b>\$ 18,175</b>	<b>\$ 795,106</b>	<b>\$ 27,011</b>	<b>\$ 847,179</b>
Noncurrent portion	\$ -	\$ -	\$ 739,973	\$ -	\$ 739,973

All receivables are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 72,571	\$ -	\$ -	\$ 72,571
Capital assets being depreciated:				
Land improvements	29,238	-	-	29,238
Buildings and improvements	298,837	-	-	298,837
Equipment	23,073	-	-	23,073
Infrastructure - shared road costs	59,638	-	-	59,638
Intangible assets - sewer line	1,492,876	-	-	1,492,876
<b>Subtotal</b>	<b>1,903,662</b>	<b>-</b>	<b>-</b>	<b>1,903,662</b>
Less accumulated depreciation for:				
Land improvements	(12,269)	(1,949)	-	(14,218)
Buildings and improvements	(109,981)	(7,326)	-	(117,307)
Equipment	(13,077)	(2,778)	-	(15,855)
Infrastructure - shared road costs	(4,657)	(1,988)	-	(6,645)
Intangible assets - sewer line	(105,746)	(37,322)	-	(143,068)
<b>Subtotal</b>	<b>(245,730)</b>	<b>(51,363)</b>	<b>-</b>	<b>(297,093)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,657,932</b>	<b>(51,363)</b>	<b>-</b>	<b>1,606,569</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,730,503</b>	<b>\$ (51,363)</b>	<b>\$ -</b>	<b>\$ 1,679,140</b>

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 5 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 10,858
Public works	39,310
Culture and recreation	<u>1,195</u>
Total governmental activities	<u>\$ 51,363</u>

**NOTE 6 - LONG-TERM LIABILITIES:**

Long-term debt at March 31, 2008, is comprised of the following individual issues:

*Contracts payable:*

\$1,492,876 contracts payable, due to Cass County Department of Public Works payable in annual installments ranging from \$57,640 to \$86,460, plus interest at 4.00% to 4.90%; final payment due May 2024	<u>\$ 1,377,596</u>
--	---------------------

Long-term liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contracts payable	<u>\$ 1,435,236</u>	<u>\$ -</u>	<u>\$ (57,640)</u>	<u>\$ 1,377,596</u>	<u>\$ 60,522</u>

Debt service requirements at March 31, 2008, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2009	\$ 60,522	\$ 59,133
2010	72,050	56,481
2011	72,050	53,599
2012	72,050	50,717
2013	72,050	47,835
2014 - 2018	432,300	187,253
2019 - 2023	432,300	90,656
2024 - 2027	<u>164,274</u>	<u>7,794</u>
Totals	<u>\$ 1,377,596</u>	<u>\$ 553,468</u>

The Township is contingently liable for \$39,424 of outstanding water and sewer system contracts payable in excess of the amounts to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.



**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 7 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues consist of unavailable special assessments.

**NOTE 8 - JOINT VENTURE:**

The Township has joined the Township of Porter in establishing a joint public safety authority (the Authority) to provide fire protection services, emergency medical services, police protection, and related emergency health and safety services in the Authority's area of operation, which includes the Township of Mason. The operations of the Authority are financed by annual contributions within the participating units of government. During the year ended March 31, 2008, the Township contributed \$182,204 towards the Authority's operations.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 28,192
Expenses	<u>(24,990)</u>
Excess of revenues over expenses	<u>\$ 3,202</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Mason**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 61,300	\$ 61,300	\$ 75,038	\$ 13,738
Licenses and permits	28,500	28,503	38,170	9,667
State grants	162,100	162,097	174,780	12,683
Charges for services	1,400	400	3,922	3,522
Interest and rentals	4,000	4,000	15,211	11,211
Other	2,900	3,900	2,787	(1,113)
Total revenues	<u>260,200</u>	<u>260,200</u>	<u>309,908</u>	<u>49,708</u>
<b>EXPENDITURES</b>				
Legislative	<u>7,308</u>	<u>7,309</u>	<u>6,710</u>	<u>599</u>
General government:				
Supervisor	8,189	8,373	8,371	2
Election	1,050	1,050	1,185	(135)
Assessor	13,824	13,824	13,401	423
Clerk	11,618	12,092	11,961	131
Board of Review	1,525	1,525	1,500	25
Treasurer	17,937	17,937	16,234	1,703
Hall and grounds	18,730	19,975	19,788	187
Cemetery	6,445	6,445	5,318	1,127
Other	32,434	32,282	29,298	2,984
Total general government	<u>111,752</u>	<u>113,503</u>	<u>107,056</u>	<u>6,447</u>
Public safety:				
Fire/Ambulance	80,900	80,900	51,607	29,293
Building inspections	<u>28,140</u>	<u>28,140</u>	<u>24,990</u>	<u>3,150</u>
Total public safety	<u>109,040</u>	<u>109,040</u>	<u>76,597</u>	<u>32,443</u>
Public works:				
Highways and streets	6,035	6,035	1,348	4,687
Street lights	2,930	2,930	2,888	42
Sewer	<u>1,450</u>	<u>1,450</u>	<u>82</u>	<u>1,368</u>
Total public works	<u>10,415</u>	<u>10,415</u>	<u>4,318</u>	<u>6,097</u>

**Township of Mason****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 17,125</u>	<u>\$ 17,125</u>	<u>\$ 18,552</u>	<u>\$ (1,427)</u>
Capital outlay	<u>60</u>	<u>290</u>	<u>290</u>	<u>-</u>
Total expenditures	<u>255,700</u>	<u>257,682</u>	<u>213,523</u>	<u>44,159</u>
<b>NET CHANGES IN FUND BALANCES</b>	4,500	2,518	96,385	93,867
<b>FUND BALANCES - BEGINNING</b>	<u>388,825</u>	<u>388,825</u>	<u>388,825</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 393,325</u>	<u>\$ 391,343</u>	<u>\$ 485,210</u>	<u>\$ 93,867</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Mason****SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$1,492,876 2004 SEWAGE DISPOSAL SYSTEM CONTRACT PAYABLE**

March 31, 2008

---

<i>Fiscal period</i>	<i>Interest rate</i>	<i>Interest</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
		<i>May 1</i>	<i>November 1</i>			
2009	4.00%	30,172	28,961	05/01/08	60,522	119,655
2010	4.00%	28,961	27,520	05/01/09	72,050	128,531
2011	4.00%	27,520	26,079	05/01/10	72,050	125,649
2012	4.00%	26,079	24,638	05/01/11	72,050	122,767
2013	4.00%	24,638	23,197	05/01/12	72,050	119,885
2014	4.00%	23,197	21,468	05/01/13	86,460	131,125
2015	4.10%	21,468	19,696	05/01/14	86,460	127,624
2016	4.25%	19,696	17,859	05/01/15	86,460	124,015
2017	4.35%	17,859	15,978	05/01/16	86,460	120,297
2018	4.45%	15,978	14,054	05/01/17	86,460	116,492
2019	4.55%	14,054	12,087	05/01/18	86,460	112,601
2020	4.60%	12,087	10,099	05/01/19	86,460	108,646
2021	4.65%	10,099	8,089	05/01/20	86,460	104,648
2022	4.75%	8,089	6,035	05/01/21	86,460	100,584
2023	4.75%	6,035	3,982	05/01/22	86,460	96,477
2024	4.80%	3,982	1,906	05/01/23	86,460	92,348
2025	4.90%	1,906	-	05/01/24	77,814	79,720
		<u>\$ 291,820</u>	<u>\$ 261,648</u>		<u>\$ 1,377,596</u>	<u>\$ 1,931,064</u>

July 8, 2008

To the Board of Trustees  
Township of Mason

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mason for the year ended March 31, 2008, and have issued our report thereon dated July 8, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Mason are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Mason during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Mason's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Mason as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Mason's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Mason and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*